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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Many chain buyers said they were merely window shopping at the recent CES—looking at such innovations as 8mm video, and digital and stereo TV—but not willing to buy until high prices erode.

High-tech CE Multiplies; Mass Marketers Chary

CHICAGO — High-end audio and video technology is ready to punch through to the consumer mainstream but is the mass market ready to accommodate it?

At the Summer Consumer Electronics Show recently held here, manufacturers displayed enough high-tech products to satisfy the most discriminating audio/video retailer palate.

But mass merchandisers, traditionally last to feed off the latest technological goodies, said they simply can't afford to get too excited.

High pricing, umbilically tied to these innovative products, make it, in most cases, prohibitive. Plus, several said they're plain scared to bite off more than they can chew.

Most mass merchants are still too busy feeding on the bottom of the technological spiral—VCRs and CD players.

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Bradlees Reportedly Seeks Part or All of Jeff Ward

MIAMI — Jefferson Ward, which has been put on the block by its parent Montgomery Ward, is reportedly being eyed by Bradlees as the means by which the New England discounter would stake out a major presence in the Greater Philadelphia Area.

Bradlees' proposed deal for Jefferson Ward's 18 stores in the Philadelphia-Wilmington, Del., market reportedly is being held up by Ward's interest in an all-encompassing agreement that would also involve Jefferson's 26 other units: three in Richmond, Va., and 23 in Florida, including an 11-store concentration in the Greater Miami-Fort Lauderdale Area.

A Bradlees spokesman said "we can't comment" on the reports of the negotiations between the discounter and Ward.

A Ward spokesman said the company was "definitely committed" to selling Jefferson but that reports of a deal with Bradlees "was pure speculation." Ward has hired Salomon Bros., an investment banking and stock brokerage firm, to find a buyer for Jefferson.

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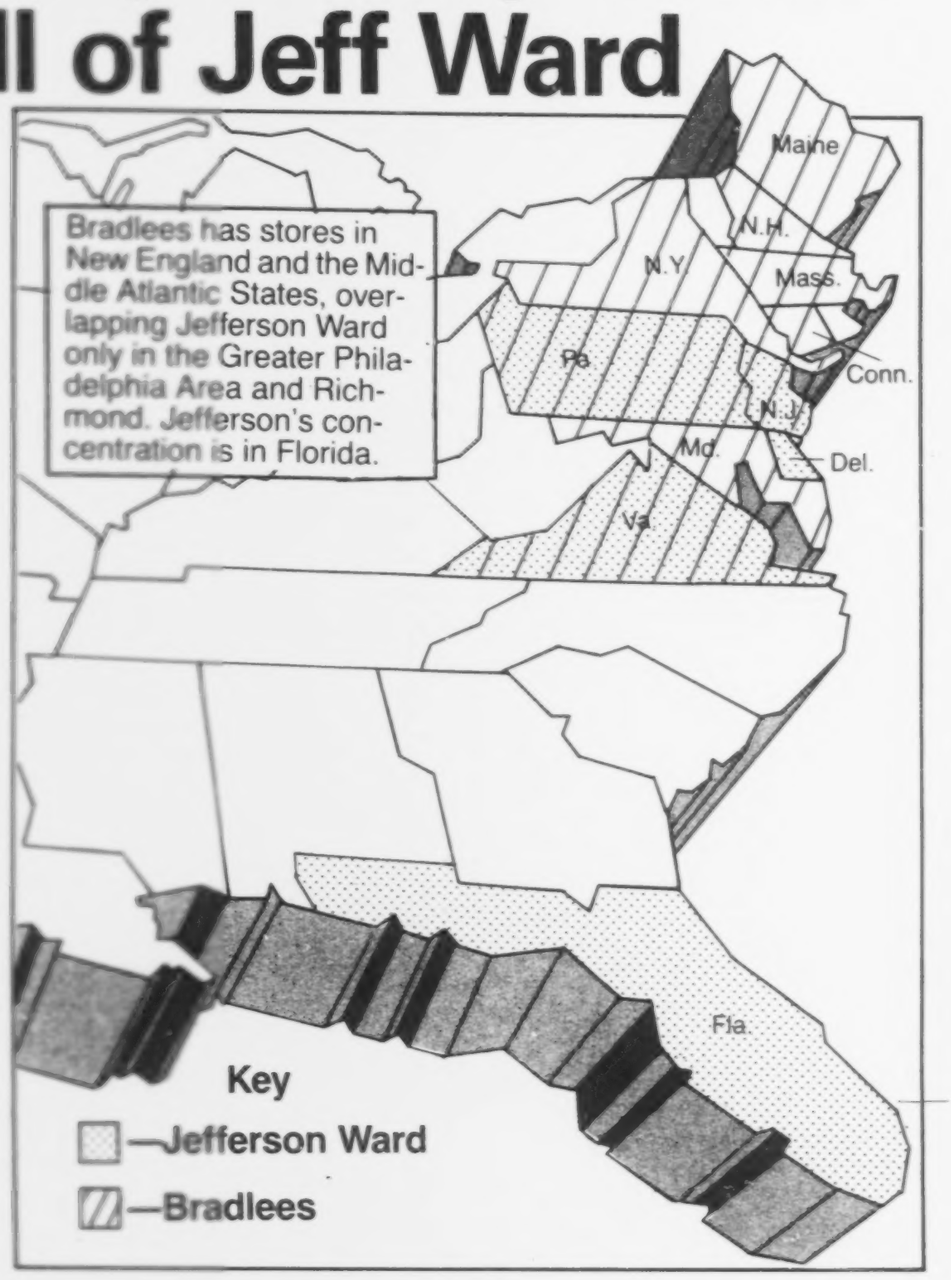

Would Raise Up to $29M

PACE Plans Public Offering, Expansion

AURORA, Colo. — PACE Membership Warehouse plans to go public to raise up to $29 million to fuel its explosive expansion plans.

In a separate move, PACE is launching a private label program with basics such as garbage bags, baby wipes and bags of charcoal under a PMW label. A quality guarantee on the items is signed by chain president and chairman Henry Haimsohn. The company claims to be the first membership warehouse to develop its own private label.

Both steps are designed to sharpen the chain's competitive stature in the burgeoning warehouse club industry.

The proposed initial public offering places two million company shares and 489,410 private stockholders' shares for sale at an estimated $12.50 to $14.50 per share. At those rates at least $25 million and no more than $29 million would go back into the company. Another $6 million to $7 million would go to selling stockholders.

Monies raised for the company would be used for the planned opening of up to 10 units by the end of January '86 and another 14 to 17 units in fiscal 1986. That growth strategy represents a fourfold expansion of the six-unit chain to at least 24 clubs by the end of next year.

As part of the expansion, the company would also use some of the money to convert to a larger-capacity computer system, according to the prospectus.

Sales at PACE hit $76 million for the fiscal year ended Feb. 3, 1985, based on six stores. The year before sales were $15.2 million based on sales at one unit. Net income switched to the plus side last year to $557,000 compared with a $464,000 loss the year before.

Margins at the club have been narrowing from 13.1% in 1983 to 11.7% in 1984.

This year, PACE plans to tackle four new markets: Omaha, Baltimore, Colorado Springs and Washington. The Omaha unit was planned for a June unveiling.

PACE's step into the mid-Atlantic region involves three August openings in Landover, Laurel and Baltimore, Md.

Its second and third Atlanta units are planned for openings in September, and its Colorado Springs warehouse should open in November.

(Continued on page 38)

Maurice Segall

Herbert Gilman

IN BRIEF

• **MAURICE SEGALL, PRESIDENT AND CEO OF ZAYRE** Corp., has been elected to the Discounting Hall of Fame. Herbert Gilman, chairman and ceo of Ames, received the Discounter of the Year award. Segall was elected by a *DSN* poll of chief executive officers and presidents of the country's discount chains. Gilman was elected through mail-in ballots of *DSN*'s readers. Segall is a former Discounter of the Year. Both men will be honored at *DSN*'s eighth annual SPARC (Supplier Performance Award by Retail Category) banquet on Aug. 11 at the Hyatt Regency Hotel in Chicago.

• **WAL-MART PLANS TO BUILD 700,000-SQ.-FT. DISTRIBU**tion centers in Brookhaven, Miss., and Plainview, Tex.

• **CE/APPLIANCE CHAIN NEWMARK & LEWIS PLANS A** 1.2 million-share initial public stock offering, at $13-$15 a share.

• **BENEFICIAL CORP. HAS SIGNED A LETTER OF IN**tent to sell Western Auto to Wesray Capital for about $300 million.

Service Merchandise Is Assimilating H.J. Wilson, Ellman's —See P. 11

The Apparel Scene

Joseph Antonini (left), president of K mart Apparel Corp., who stresses flexibility in achieving concrete goals, says apparel sales at the discount giant are progressing well ahead of plan. (Story, p. 3)

Discount chain merchandisers say it's too early for a verdict on the latest men's wear licensed brands: Reed st. James and Angels Flight. They join McGregor, the first licensed men's wear brand in discount stores. (Story, p. 3)

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Major Appliance Unit Shipments
(000 omitted)

Product	1983	1984	1985 (Projection)
Electric ranges	2,754	3,074	3,093
Microwave ovens	5,933	9,132	9,545
Washers	4,616	5,049	5,056
Dryers	3,294	3,684	3,669
Disposers	3,544	4,085	4,002
Dishwashers	3,121	3,491	3,445
Compactors	157	182	190
Refrigerators	5,477	5,994	6,118
Freezers	1,341	1,281	1,238
Room air-conditioners	2,002	3,103	3,127
Dehumidifiers	437	591	560

Source: Association of Home Appliance Manufacturers

AHAM Sees Microwaves As No. 1 Again This Year

CHICAGO — Microwave ovens will lead major appliance shipments for the second consecutive year in 1985, the Association of Home Appliance Manufacturers projected.

In its annual survey of the major appliance industry, AHAM forecast that sharp continued growth of microwaves will spark a 1% gain in total appliance shipments to 39.8 million units, up from 39.4 million in 1984. Shipments of most home appliances, including air-conditioners, will remain at last year's levels, it added.

That represents a breath-catching pause for the major appliance industry, which registered its greatest absolute gain in annual unit shipments in 1984, when domestic shipments from manufacturers soared from 32.5 million to 39.4 million units. That climb immediately followed a 5.5 million unit climb the year earlier.

The AHAM study attributed the mid-80's spurt of appliance shipments to household inventories reaching replacement age. "More consumer disposable income and a positive consumer outlook also point to another strong year for the industry," it said.

Replacements typically account for 70% of major appliance sales, with new housing formations and new acceptance of products such as microwaves contributing the rest.

The association projected that microwaves will reach 50% household saturation by 1986, as eastern and midwestern parts of the country catch up to microwaves' penetration in the West.

If microwave shipments behave according to forecast, they'll surge 4.4% from 9.1 million to 9.5 million units in 1985—representing its greatest annual gain in units shipped, and keeping its position as the most frequently shipped major appliance in the country.

Microwaves achieved that spot clearly for the first time last year, when microwave shipments grew 54% and accounted for one-quarter of total appliance shipments nationwide.

(Although not broken out by the AHAM study, recent manufacturer research predicts that compact microwaves—with less than 1-cubic-foot capacity—and subcompact models will grow quickest in 1985, and achieve a total 25% share of the national market. Discounter and catalog chain buyers told *DSN* they expect to capture more than 10% of total microwave sales.)

A Closer Look

Air-conditioners, also important to discounters, will rise nominally in shipments this year, from 3.10 million to 3.13 million units, AHAM said.

The study predicted further that refrigerators would log a 1.7% unit shipment gain, the industry's second largest, from 6 million to 6.1 million in 1985. This year's one-two punch of microwaves and refrigerators is spawned by disparate factors: new consumer acceptance of microwaves, particularly programmable models, and replacement of aging refrigerators in American households.

Microwaves' relatively scant household penetration—compared to refrigerators' 93.4% level—points to promising long-term growth. In addition to microwaves, freezers, dishwashers and trash compactors are in fewer than half the nation's homes. But, their 1985 sales prospects appear comparatively flat, according to AHAM projections.

Freezer shipments are expected to skid 3.1% this year, from 1.28 million to 1.24 million units; dishwashers, whose sales are about 90% built-in models will dip 1.1% from 3.49 million to 3.45 million units; trash compactors will rise 4.4% from 182 million to 190 million, AHAM predicted.

Moreover, the study looked to energy consumption improvements as stimuli to industry growth, citing major efficiency gains in the 1972-83 period that immediately preceded the current home appliance surge.

Energy use per air-conditioner decreased 21.9% during that period; refrigerator, 66.4%; freezer, 55.6%; clothes washer, 54.7%, and dishwasher, 54.2%.

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Electronic Retailing Still Seeks a Niche

By ARTHUR MARKOWITZ
Special Projects Editor

News Analysis

ORLANDO, Fla. — Electronic retailing, heralded as the merchandising format of the future, is still searching for its niche in the marketplace.

The unresolved nature of electronic retailing was clearly evident at the latest conference on the subject—the third annual meeting sponsored by Touche Ross & Co., which featured 64 speakers in 18 different panel sessions during a three-day gathering here.

About 350 attended the Electronic Shopping Outlook: 1985-1990 conference; the diversity of the delegates and panel participants, along with the companies, which ranged from manufacturers and retailers to advertising agencies, banks and communications firms, only pointed up the different merchandising philosophies and technologies that are umbrellaed under the electronics retailing rubric.

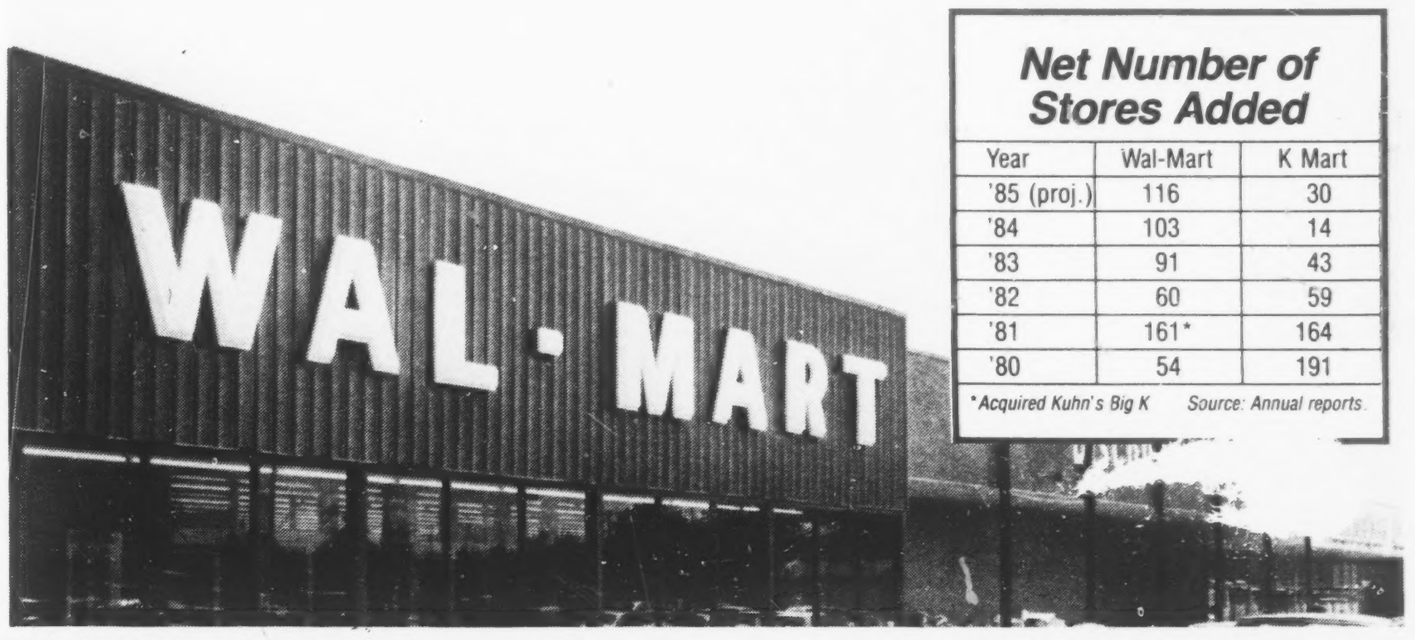
The various panel discussions and general business talk made clear that only one company, Comp-U-Card, has made any money from electronic selling—and that mainly from membership fees. Today, only a very small number of consumers are actually shopping via computers, TV/phone connections or at machines located in either stores or shopping centers.

The hard reality is that electronic retailing could eventually generate billions of dollars in sales—but at that point it would be part of, rather than the futuristic replacement for, the way Americans shop.

It is that envisioned market potential—rather than today's actual results—that continues to be a magnet, and is causing some firms already in the business to augment their operations to broaden their appeal to consumers, and attracting new companies to enter the field.

A brief review of the various companies, technologies and merchandising philosophies is perhaps the best way to show the state of the field and also why the key unanswered ques-

(Continued on page 25)



Wal-Mart, planning to add 116 stores to its 745 base this year, succeeds K mart as the industry's expansion leader. K mart had 2,055 at year's end.

Net Number of Stores Added

Year	Wal-Mart	K Mart
'85 (proj.)	116	30
'84	103	14
'83	91	43
'82	60	59
'81	161*	164
'80	54	191

*Acquired Kuhn's Big K Source: Annual reports.

115 Wal-Marts to Open in '85, Boosting Total by 15% to 860

By AL HELLER

BENTONVILLE, Ark. — The Wal-Mart store expansion juggernaut is gaining speed.

The nation's second-largest discounter plans to add 115 full-line stores within its current 20-state market this year, a 15% unit climb that'll raise store count to 860, vice chairman and chief financial officer Jack Shewmaker told stockholders at its annual meeting.

Current plans follow on the heels of last year's 103-unit growth.

The Sunbelt will remain Wal-Mart's primary bastion, with Florida and Texas being its greatest growth states through the late 80's, Shewmaker added. This year's plans include 14 new stores in Florida and 19 in Texas, its largest state with 143 units at the start of 1985.

Wal-Mart will also test new 25,000- to 35,000-sq.-ft. prototypes, tailored to smaller markets, in the latter part of 1985, president David Glass told the audience of 1,700. Wal-Mart officials wouldn't elaborate on the new store format.

The 115 new units will account for most of the new 9.4 million sq. ft. of store space companywide this year, and help raise total footage 22.4% to 51.3 million sq. ft., Shewmaker said. Wal-Mart is landbanking sites for next year's store expansion as well, added Glass.

In addition, Wal-Mart plans to remodel 45 Wal-Marts, add 12 Sam's Wholesale Clubs, one dot deep-discount drug store and one or two Helen's Arts and Crafts stores this year. That'll create a year-end roster of 23 Sam's, two dots and two or three Helen's.

"Florida and Texas will be Wal- Mart's greatest growth states through the late 80's."

—Jack Shewmaker, vice chairman, cfo, Wal-Mart

"We're not eying growth by diversification, but will experiment with specialties like dot and Helen's that relate to businesses we're already in," said Glass.

Through the end of May, Wal-Mart had added 23 new Wal-Marts and one Sam's, in a schedule hampered by bad weather, Shewmaker said. Yet they've contributed to chain-wide year-to-date 33% sales gains on 11% comparable-store rises. Full-year goals are for a 30% sales gain to $8.3 billion and 10% same-store volume increases.

Shewmaker noted that the 12 existing Sam's had each recently reached $1 million weekly volume averages—a billion dollar annual pace for the 20 clubs expected by the fall.

To support store growth, Wal-Mart will break ground soon on 700,000-sq.-ft. distribution centers (DCs) in Brookhaven, Miss., and Plano, Tex., Shewmaker said. In addition, Wal-Mart is expanding its Douglas, Ga., DC to that size to serve 150 stores by year's end, up from 50 currently.

The discounter recently added 152,000 sq. ft. to its Searcy, Ark., DC and is building a new 443,000-sq.-ft. facility in Bentonville that will house headquarters offices and replace a smaller existing DC.

(Continued on page 26)

18 Jeff Wards to Beef Up Bradlees' E. Coast Clout

PHILADELPHIA — Bradlees is due to acquire 18 Jefferson Ward stores in the Greater Philadelphia-Wilmington, Del., market in a major expansion move that will markedly strengthen its position as a leading upscale East Coast retailer.

The expansion into Greater Philadelphia, due in mid-July, will make Bradlees the only upscale discounter with stores in almost all the major metro areas in a market belt encompassing New England and the Middle Atlantic States from Maine to Virginia.

Bradlees, by replacing Jefferson Ward, will become a second upscale discounter in metro Philadelphia when it joins hometown Clover there. The Braintree, Mass.-based chain's move into the market could delay or block any expansion thrust into the area by Caldor, the other leading upscale discounter that already competes with Bradlees in most of the New England and Middle Atlantic States metro areas outside of Philadelphia.

Like Bradlees, Caldor has stores in markets north and south of Philadelphia, along with a distribution center nearby in New Jersey. Unlike Bradlees, Caldor has had a number of top executives over the past four years since it was acquired by Associated Dry Goods (and when it moved into New Jersey as its first thrust outside of its New England home base). Bradlees, meanwhile, has had the same top leadership during the entire period.

When the Jefferson acquisition is completed, the Philadelphia market, No. 4 in population in the nation, will become the largest metropolitan area in which Bradlees has stores. Prior to the pending deal, Bradlees had said it would invade the market with three stores set to open in the fall.

The Jefferson stores, nine in eastern Pennsylvania, seven in adjacent New Jersey and two in Wilmington, along with a 160,000-sq.-ft. distribution cen-

(Continued on page 26)

IN BRIEF

• K MART WAS SET AT PRESSTIME TO OPEN FIVE NEW financial centers in its Chicago stores through U.S.A. Consumer Credit of Burbank, Ill., to be called The Lending Center; and four in the Las Vegas market through New Jersey-based Berg Enterprises, to go under the name The Mortgage Place.

• A HEAVY DEMAND FOR PACE MEMBERSHIP WAREhouse's initial public offer resulted in the sale of 3,489,410 shares at $15.50 per share, raising $43,350,000 for the company and $7,071,975 to selling shareholders. This was one million more shares at $1 more a share than the preliminary offer. At presstime, PACE announced plans to enter the Greensboro, N.C., market with one unit in late fall.

Competition Heats Up In Ladies' Apparel, So Cataloger Weis Abandons Its Test
—See P. 13

Mousses Make Waves

The mousse category (left, center row) is the big news in H&BA, according to the Product Movement Audit supplied by Boston Distributors. It has raised sales and profits, and hurt sales of hair sprays. (Story, p. 8)

CE Chain Plans to Swell

Newmark & Lewis, New York-based CE/appliance chain, plans an ambitious expansion, using funds expected from its first public offering. (Story, p. 14)

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